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Transcript Exhibit(9) AZ CORP COMMISSION
DOCKET CONTROL

Docket #(s): W-02234A-07-0371

Exhibit # : A1-A3, 51

Arizona Corporation Commission
DOCKETED

FEB 6 2008

DOCKETED BY
KH 

Richard L. Sallquist, Esq. (002677)
 SALLQUIST, DRUMMOND & O'CONNOR, P.C.
 4500 South Lakeshore Drive, Suite 339
 Tempe, Arizona 85282
 Telephone: (480) 839-5202
 Attorneys for H2O, Inc.

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF)	DOCKET NO. W-02234A-07-____
H2O, INC. FOR AN EXTENSION OF ITS)	
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY TO PROVIDE WATER SERVICE)	APPLICATION
IN PINAL COUNTY, ARIZONA.)	

H2O, Inc. ("H2O") submits this Application to extend its water Certificate of Convenience and Necessity. In support of this Application, H2O states as follows:

1. H2O holds a Certificate of Convenience and Necessity ("CC&N") issued by the Commission to provide water service in portions of Pinal County, Arizona.

2. A copy of the letter from Pinnacle One, the developer of the J.O. Combs Elementary School District, the owner of the north approximate 90 acres of the subject property, supporting the Application is appended hereto as **Attachment A**.

3 The Arizona State Land Department, the owner of the southern approximate 270 acres of the subject property, can not provide a Request for Service at this time due to internal Land Department policies. However, the property does meet all 9 criteria set forth in the Commission's informal policy regarding inclusion of parcels in Certificate extensions for which formal requests to serve have not been received by the Applicant.

4. A copy of the completed CC&N Extension Application as required by the Commission is attached hereto as **Attachment B**.

1 5. Based on the absorption and consumption data set forth in Exhibit E to **Attachment B**,
2 H2O will have sufficient water capacity to serve the Subject Area.

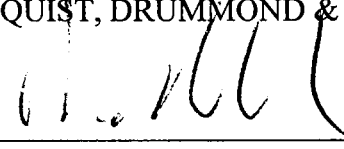
3 6. H2O will provide service to the Subject Area under their existing service rates,
4 charges, terms and conditions, as those rates may be amended by appropriate regulatory action.

5 6. H2O will provide the form of notice attached as Exhibit J to **Attachment B**, as that
6 Notice may be modified by the Procedural Order in this Docket, and file an Affidavit to that
7 effect with Docket Control upon completion of said notice.

8 WHEREFORE, H2O respectfully requests that the Commission hold a hearing on this
9 Application as soon as practicable, and thereafter issue an order granting the requested extension
10 of its water Certificate of Convenience and Necessity.

11 Respectfully submitted this 15th day of June, 2007.

12 SALLQUIST, DRUMMOND & O'CONNOR, P.C.

13 By: 
14 Richard L. Sallquist
15 SALLQUIST, DRUMMOND & O'CONNOR, P.C.
16 4500 South Lakeshore Drive, Suite 339
17 Tempe, Arizona 85282
18 Attorneys for H2O, Inc.

1
2 The original and fifteen copies of
3 the foregoing were filed this 15th
day of June, 2007:

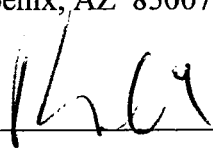
4 Docket Control
5 Arizona Corporation Commission
6 1200 W. Washington St.
Phoenix, AZ 85007

7 Copies of the foregoing were mailed
this 15th day of June, 2007 to:

8 Hearing Division
9 Arizona Corporation Commission
10 1200 W. Washington St.
Phoenix, AZ 85007

11 Legal Division
12 Arizona Corporation Commission
13 1200 W. Washington St.
Phoenix, AZ 85007

14 Utilities Division
15 Arizona Corporation Commission
16 1200 W. Washington St.
Phoenix, AZ 85007

17
18
19
20
21
22
23


July 31, 2006

Don Schnepf
H2O, Inc.
41502 N. Schnepf Road
Queen Creek, AZ 85242

via Fax 480.491.6739

Re: New K-5 Elementary School, New High School, New Middle School
JO Combs Elementary School District #44
Request for Service

Attention Mr. Schnepf:

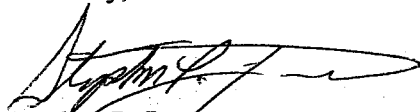
This letter supersedes our request for service letter of July 5, 2006. This is a request for service and a request for CC&N expansion.

Per your required information document dated 7/17/06, the following information is provided:

- a. Developer Information: J. O. Combs School District #44, 301 E. Combs Road, Queen Creek, AZ 85242.
- b. Development Name: J. O. Combs Academic Campus.
- c. Number of units: Three (3). One of each of the following. Elementary school, middle school, and high school.
- d. Approximate start and completion date: March 2007 to January 2010.
- e. Legal description of area to be serviced: West half of Section 9, Township 2S, Range 8E. Total acreage: 90 acres.
- f. Engineering Contact and Information: Doug Hubbard, Hubbard Engineering, 625 N. Gilbert Road, Suite 106, Gilbert, AZ 85234. Phone, (480) 892-3313; fax (480) 892-7051, e-mail: dhubbard@hubbardengineering.com.
- g. Type of service requested: Water (only).

As you can see we are looking to construct the Elementary School beginning in March of 2007. We understand that the CC&N approval process is a 9-10 month process and would appreciate your close cooperation in working with the District and our engineers to ensure the process is completed in time for construction. Please let me know what I can do to assist you in this process. Thank you in advance for your assistance in this matter. Please contact me with any questions you may have.

Sincerely,


Stephen P. Jones
PinnacleOne
602.578.3397

RECEIVED
AUG 01 2006
H2O, INC.

c/o J.O. Combs Elementary School
301 E. Combs Road
Queen Creek, Arizona 85242
P 602.432.1954
F 480.987.3487

1 Richard L. Sallquist, Esq. (002677)
SALLQUIST, DRUMMOND & O'CONNOR, P.C.
2 4500 South Lakeshore Drive, Suite 339
Tempe, Arizona 85282
3 Telephone: (480) 839-5202
Attorneys for H2O, Inc

4 **BEFORE THE ARIZONA CORPORATION COMMISSION**

5 **IN THE MATTER OF THE APPLICATION) DOCKET NO. W-02234A-07-_____**
6 **OF H2O, INC. FOR AN EXTENSION OF ITS)**
7 **CERTIFICATE OF CONVENIENCE AND) APPLICATION FOR EXTENSION**
8 **NECESSITY TO PROVIDE WATER) OF CERTIFICATE OF**
9 **SERVICE IN PINAL COUNTY, ARIZONA) CONVENIENCE AND**
10 **) NECESSITY FOR WATER SERVICE**
11 **)**

12 This Application is substantially in the form prescribed by the Commission.

13 A. The name, address and telephone number of the Applicant is:

14 **H2O, Inc.**
15 **41502 North Schnepf Road**
16 **Queen Creek, Arizona 85242**
17 **(480) 491-6971**

18 B. The name, address and telephone number of management contact:

19 **Donald L. Schnepf, President**
20 **41502 North Schnepf Road**
21 **Queen Creek, Arizona 85242**
22 **(480) 491-6971**

23 C. List the name, address and telephone number of the operator certified by the Arizona Department of Environmental Quality:

Donald L. Schnepf, President
41502 North Schnepf Road
Queen Creek, Arizona 85242
(480) 491-6971

1 D. List the name, address and telephone number of the attorney for the Applicant:

2 **Sallquist, Drummond & O'Connor, P.C.**
3 **Richard L. Sallquist**
4 **4500 S. Lakeshore Drive**
5 **Suite 339**
6 **Tempe, Arizona 85282**
7 **(480) 839-5202**

8 E. Attach the following exhibits that apply to you:

- 9 1. Certificate of Good Standing (if corporation)

10 **Please see attached Exhibit A.**

- 11 2. Corporate Resolution Authorizing this application (if required by the corporation's
12 Articles of Incorporation)

13 **N/A**

14 F. Attach a legal description of the area requested by either **CADASTRAL** (quarter section
15 description) or **METES AND BOUNDS** survey. References to parcels and dockets will
16 not be accepted.

17 **Please see attached Exhibit B.**

18 G. Attach a detailed map using the form provided as attachment B. Shade and outline the area
19 requested. Also indicate present Certificated area using different colors of shading and
20 outline.

21 **Please see attached Exhibit C.**

22 H. Attach a current balance sheet and profit and loss statement.

23 **Please see attached Exhibit D.**

I. Please provide the following information:

1. Indicate the estimated number of customers, by class, to be served in the new area in
each of the next five years:

Please see attached Exhibit E.

1 **Residential:**

2 First Year _____ Second Year _____ Third Year _____

3 Fourth Year _____ Fifth Year _____

4 **Commercial:**

5 First Year _____ Second Year _____ Third Year _____

6 Fourth Year _____ Fifth Year _____

7 **Industrial:**

8 First Year _____ Second Year _____ Third Year _____

9 Fourth Year _____ Fifth Year _____

10 **Irrigation:**

11 First Year _____ Second Year _____ Third Year _____

12 Fourth Year _____ Fifth Year _____

13 **Other: (specify)**

14 First Year _____ Second Year _____ Third Year _____

15 Fourth Year _____ Fifth Year _____

- 16
- 17 2. **(WATER ONLY)** Indicate the projected annual water consumption, in gallons, for each
of the customer classes in the new area for each of the next five years:

18 3.

18 **Please see attached Exhibit E.**

19 **Residential Per Customer:**

20 First Year _____ Second Year _____ Third Year _____

21 Fourth Year _____ Fifth Year _____

1 **Commercial:**

2 First Year _____ Second Year _____ Third Year _____

3 Fourth Year _____ Fifth Year _____

4 **Industrial:**

5 First Year _____ Second Year _____ Third Year _____

6 Fourth Year _____ Fifth Year _____

7 **Irrigation:**

8 First Year _____ Second Year _____ Third Year _____

9 Fourth Year _____ Fifth Year _____

10 **Other: (specify)**

11 First Year _____ Second Year _____ Third Year _____

12 Fourth Year _____ Fifth Year _____

- 13
- 14 4. Indicate the total estimated annual operating revenue from the new area for each of the next five years:

15 **Please see attached Exhibit E.**

16 First Year \$ _____ Second Year \$ _____ Third Year \$ _____

17 Fourth Year \$ _____ Fifth Year \$ _____

- 18 5. Indicate the total estimated annual operating expenses attributable to the new area for each of the next five years:

19 **Please see attached Exhibit E.**

20 First Year \$ _____ Second Year \$ _____ Third Year \$ _____

21 Fourth Year \$ _____ Fifth Year \$ _____

- 22 J. Total estimated cost to construct utility facilities to serve customers in the requested area:

23 **\$ 315,000**

1 K. Explain method of financing utility facilities (see paragraph 8 of instructions)

2 **On-site facilities will be financed by the Developer using line extension agreements**
3 **that will be submitted to the Commission.**

4 L. Estimated starting and completion date of construction of utility facilities:

5 Starting date: **August 2007** Completion date: **August 2008**

6 M. Attach the following permits:

- 7 1. Franchise from either the City or County for the area requested.

8 **Please see attached Exhibit F.**

- 9 2. Arizona Department of Environmental Quality or designee's approval to construct
10 facilities.

11 **To be late filed as Exhibit G.**

- 12 3. Arizona State Land Department approval. **See Application**

- 13 4. U.S. Forest Service approval. **N/A**

- 14 5. **(WATER ONLY)** If the area requested is within an Active Management Area,
15 attach a copy of either the utility's Designation of an Assured Water Supply or the
16 developer's Certificate of 100 Year Assured Water Supply issued by the Arizona
17 Department of Water Resources.

18 **To be late filed as Exhibit H.**

19 If area requested is outside an Active Management Area, attach the developer's
20 Adequacy Statement issued by the Arizona Department of Water Resources if
21 applied for by the developer. **N/A**

22 If area requested is outside an Active Management Area and the developer does not
23 obtain an Adequacy Statement, provide sufficient detailed information to prove that
adequate water exists to provide water to the area requested. **N/A**

24 N. Attached hereto as **Exhibit I** is an Engineering Data Sheet showing the customer count and
consumption data for the latest 13 month period.

O. Attached hereto as **Exhibit J** is a form of Notice to property owners in the area. The signed affidavit of mailing or publication will be late filed as an exhibit.

DATED this 15th day of June, 2007.

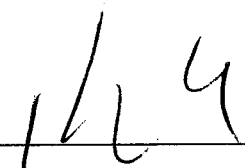
SALLQUIST, DRUMMOND & O'CONNOR, P.C.

By 

Richard L. Sallquist
4500 S. Lakeshore Drive, Suite 339
Tempe, Arizona 85282
Attorney for H2O, Inc.

Original and ten copies of the foregoing filed this 15 day of June, 2007, with:

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007



LIST OF EXHIBITS

<u>EXHIBIT</u>	<u>DESCRIPTION</u>
A.	CERTIFICATE OF GOOD STANDING
B.	LEGAL DESCRIPTION
C.	MAP OF EXISTING AND REQUESTED AREA
D.	2005 FINANCIAL STATEMENTS
E.	CUSTOMER COUNT AND REVENUE/EXPENSE COMPUTATIONS
F.	COUNTY FRANCHISE
G.	ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY APPROVALS (Late filed)
H.	CERTIFICATE OF ADEQUATE WATER SUPPLY (Late filed)
I.	ENGINEERING DATA SHEET
J.	NOTICE OF FILING

STATE OF ARIZONA



Office of the CORPORATION COMMISSION

CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Director of the Arizona Corporation Commission, do hereby certify that

*****H20, INC.*****

a domestic corporation organized under the laws of the State of Arizona, did incorporate on October 5, 1972.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said corporation is not administratively dissolved for failure to comply with the provisions of the Arizona Business Corporation Act; and that its most recent Annual Report, subject to the provisions of A.R.S. sections 10-122, 10-123, 10-125 & 10-1622, has been delivered to the Arizona Corporation Commission for filing; and that the said corporation has not filed Articles of Dissolution as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 5th Day of June, 2007 A. D.



Executive Director

By

EXHIBIT A

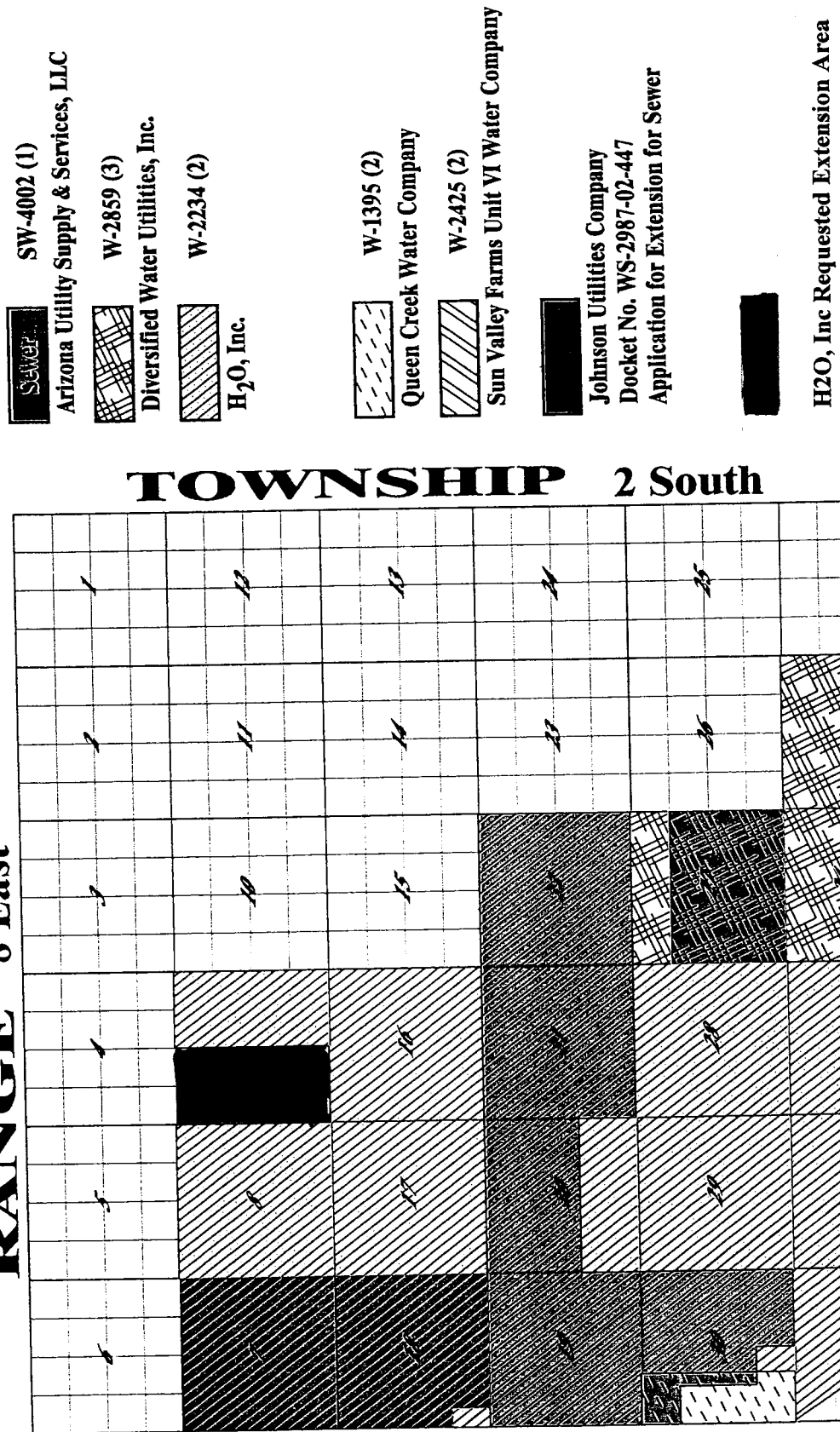
LEGAL DESCRIPTION

The West one-half of Section 9, Township 2 South, Range 8
East of the G&SRB&M, Pinal County, Arizona

COUINITY: Pinal

RANGE 8 East

TOWNSHIP 2 South



ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL -- MAKE CHANGES AS NECESSARY

A

W-02234A
H2O, Inc.
41502 N. Schnepf Road
Queen Creek, AZ 85242

ANNUAL REPORT

RECEIVED

APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

FOR YEAR ENDING

12	31	2005
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FOR COMMISSION USE

ANN04	05
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entered
4-18-06
pf

EXHIBIT D

COMPANY INFORMATION

Company Name (Business Name) H2O, INC		
Mailing Address 41502 N SCHNEPF RD.		
QUEEN CREEK	AZ	85242
(City)	(State)	(Zip)
480-491-6971	480-491-6739	
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address donald@h2o-inc.com		
Local Office Mailing Address same as above		
(City)	(State)	(Zip)
Local Office Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)
Email Address		

MANAGEMENT INFORMATION

Management Contact: DONALD L SCHNEPF		PRESIDENT	
	(Name)		(Title)
41502 N. Schnepf Rd	Queen Creek	AZ	85242
(Street)	(City)	(State)	(Zip)
480-491-6971	480-491-6739		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address donald@h2o-inc.com			
On Site Manager: same as above			
	(Name)		
(Street)	(City)	(State)	(Zip)
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
Email Address			

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

Statutory Agent: DAREL SCHNEPF

(Name)

11051 E. BALANCING ROCK RD

(Street)

SCOTTSDALE,

(City)

AZ

(State)

85267

(Zip)

480-491-6971

Telephone No. (Include Area Code)

480-491-6739

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

Attorney: RICHARD L SALLQUIST- SALLQUIST & DRUMMOND PLLC

(Name)

2525 E. ARIZONA BILTMORE CIRCLE #117

(Street)

PHOENIX, AZ

(City)

(State)

85016

(Zip)

602-224-9222

Telephone No. (Include Area Code)

602-224-9366

Fax No. (Include Area Code)

Pager/Cell No. (Include Area Code)

☐ Please mark this box if the above address(es) have changed or are updated since the last filing.

OWNERSHIP INFORMATION

Check the following box that applies to your company:

☐ Sole Proprietor (S)

☒ C Corporation (C) (Other than Association/Co-op)

☐ Partnership (P)

☐ Subchapter S Corporation (Z)

☐ Bankruptcy (B)

☐ Association/Co-op (A)

☐ Receivership (R)

☐ Limited Liability Company

☐ Other (Describe) _____

COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

☐ APACHE

☐ COCHISE

☐ COCONINO

☐ GILA

☐ GRAHAM

☐ GREENLEE

☐ LA PAZ

☒ MARICOPA

☐ MOHAVE

☐ NAVAJO

☐ PIMA

☒ PINAL

☐ SANTA CRUZ

☐ YAVAPAI

☐ YUMA

☐ STATEWIDE

COMPANY NAME

H2O, INC.

UTILITY PLANT IN SERVICE

Acct. No.	DESCRIPTION	Original Cost (OC)	Accum Depn (AD)	O.C.L.D. (OC - AD)
301	Organization			
302	Franchises	42,960	379	42,582
303	Land & Land Rights	7,954	0	7,954
304	Structures	246,686	5,064	241,623
307	Well & Springs	206,632	35,230	171,402
311	Pumping Equipment	3,303,543	156,235	3,147,308
320	Water Treatment Equipment	39,166	9,105	30,061
330	Dist Reservoirs	2,157,988	72,240	2,085,748
331	Trans & Dist Mains	1,395,613	341,451	1,054,163
333	Services	173,794	36,550	137,244
334	Meters	1,625,061	268,208	1,356,853
335	Hydrants	28,407	4,597	23,810
336	Backflow Devices	0	0	0
339	Other Plant	0	0	0
340	Office Furniture	77,167	34,903	42,264
341	Transporation Equipment	60,495	11,269	49,226
343	Tools & Equipment	35,721	8,919	26,802
344	Laboratory Eq			0
345	Power Operated Equipment	29,569	23,479	6,089
346	Communication Equipment	228,989	11,137	217,853
347	Miscellaneous Equipment	0	0	0
348	Other Tangible Plant	120,579	55,230	65,349
PLANT HELD FOR FUTURE USE				
303.1	Land	1,236	0	1,236
311.1	Pumping Equipment	48,292	48,292	0
	TOTALS	9,829,853	1,122,288	8,707,565

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

H2O, INC.

CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1 x 2)
301	Organization			
302	Franchises	42,960.13	0.11%	48.01
303	Land & Land Rights	7,954.00	0.00%	0.00
304	Structures	246,686.36	0.38%	943.10
307	Well & Springs	206,631.73	1.96%	4,045.97
311	Pumping Equipment	3,303,543.27	1.00%	33,077.50
320	Water Treatment Equipment	39,166.26	6.45%	2,524.96
330	Dist Reservoirs	2,157,987.96	0.66%	14,267.65
331	Trans & Dist Mains	1,395,613.41	2.01%	28,115.54
333	Services	173,793.72	4.55%	7,907.95
334	Meters	1,625,061.00	8.05%	130,831.90
335	Hydrants	28,407.19	0.07%	20.09
336	Backflow Devices	0.00		
339	Other Plant	0.00	0.00%	0.00
340	Office Furniture	77,167.16	8.52%	6,570.95
341	Transportation Equip	60,494.90	7.49%	4,533.05
343	Tools & Equip	35,720.93	2.98%	1,062.98
344	Laboratory Eq	0.00		
345	Power Operated Equipment	29,568.68	3.79%	1,120.51
346	Communication Equipment	228,989.44	1.16%	2,649.19
347	Miscellaneous Equipment	0.00		
348	Other Tangible Plant	120,579.13	13.57%	16,365.15
PLANT HELD FOR FUTURE USE				
303.1	Land	1,236	0.00%	0
311.1	Pumping Equipment	48,292	0.00%	0
TOTALS		9,829,853	2.58%	254,084.50

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

COMPANY NAME	H2O, INC.
---------------------	------------------

BALANCE SHEET

Acct. No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	769,004	1,497,662
134	Working Funds		
135	Temporary Cash Investments	7,083	0
141	Customer Accounts Receivable	142,776	216,281
146	Notes/Receivables from Associated Companies	75,389	101,674
151	Plant Material and Supplies	0	0
162	Prepayments	16,551	27,136
174	Miscellaneous Current and Accrued Assets	(23,400)	(690,608)
	TOTAL CURRENT AND ACCRUED ASSETS	987,403	1,152,145
	FIXED ASSETS		
101	Utility Plant in Service	6,353,096	9,143,174
103	Property Held for Future Use	49,528	49,528
105	Consturction Work in Progress	961,633	637,151
108	Accumulated Depreciation - Utility Plant	(927,551)	(1,122,288)
121	Non-Utility Property		
122	Accumulated Depreciation - Non Utility		
	TOTAL FIXED ASSETS	6,436,706	8,707,566
	TOTAL ASSETS	7,424,109	9,859,711

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

COMPANY NAME **H2O, INC.**

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 218,340	\$ 165,696
232	Notes Payable (Current Portion)	\$ -	\$ -
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	\$ 40,155	\$ 75,230
236	Accrued Taxes	\$ 29,211	\$ 28,419
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	\$ 14,726	\$ 42,775
	TOTAL CURRENT LIABILITIES	\$ 302,432	\$ 312,120
	LONG-TERM DEBE (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 273,569	\$ 244,932
	DEFERRED CREDITS		
251	Unamortized Premium on Debt		
252	Advances in Aid of Construction	\$ 2,822,145	\$ 3,214,795
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	\$ 3,388,666	\$ 5,874,275
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax.		
	TOTAL DEFERRED CREDITS	\$ 6,210,811	\$ 9,089,070
	TOTAL LIABILITIES	\$ 6,786,812	\$ 9,646,122
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$ 38,785	\$ 38,785
211	Paid in Capital in Excess of Par Value	\$ 1,070,871	\$ 14,397
215	Retained Earnings (Sub S Corp prior to 1978)	\$ (46,276)	\$ (46,276)
	Retained Earnings (C Corp)	\$ (373,590)	\$ 207,752
	Current Operations	\$ (52,494)	\$ (1,070)
218	Proprietary Capital (Sole Props and Partnerships)		
	TOTAL CAPITAL	\$ 637,297	\$ 213,589
	TOTAL LIABILITIES AND CAPITAL	\$ 7,424,109	\$ 9,859,711

COMPANY NAME **H2O, INC.**

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	1,512,014.92	2,272,375.95
460	Unmetered Water Revenue		590.00
474	Other Water Revenue	68,389.13	177,628.78
	TOTAL REVENUES	1,580,404.05	2,450,594.73
	OPERATING EXPENSES		
601	Salaries and Wages	481,359.27	807,753.63
610	Purchased Water	5,184.54	30,789.16
615	Purchased Power	128,808.01	192,019.76
618	Chemicals	2,616.79	5,092.75
620	Repairs and Maintenance	140,616.40	237,519.97
621	Office Supplies and Expense	159,822.82	171,069.47
630	Outside Services	53,807.83	129,847.76
635	Water Testing	12,673.34	24,453.58
641	Rents	165,842.00	210,063.67
650	Transportation Expenses	137,709.50	153,475.14
657	Insurance - General Liability	21,298.00	38,892.60
659	Insurance - Health and Life	26,605.68	18,010.34
666	Regulatory Commission Expense - Rate Case	5,543.21	8,616.54
675	Miscellaneous Expense		
403	Depreciation Expense	209,003.90	254,084.53
408	Taxes Other Than Income	42,230.20	67,666.46
408.11	Property Taxes	40,383.92	82,691.03
409	Income Taxes	0.00	0.00
	TOTAL OPERATING EXPENSE	1,633,505.41	2,432,046.39
	OTHER INCOME/EXPENSE		
419	Interest and Dividend Income	-6,855.71	-3,567.38
421	Non-Utility Income	-38,534.93	-37,423.74
426	Miscellaneous Non-Utility Expenses	32,064.86	47,657.16
427	Interest Expense	12,718.60	12,952.76
	TOTAL OTHER INCOME/EXP	-607.18	19,618.80
	NET INCOME (LOSS)	-52,494.18	-1,070.46

SUPPLEMENTAL FINANCIAL DATA**Long-Term Debt**

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued	1985	1999		
Source of Loan	Well & Pump Purchase	WIFA		
ACC Decision No.	56327	62620		
Reason for Loan	Backup Source Well	New Source Pump & Storage		
Dollar Amount Issued	\$ 40,000.00	\$ 254,117.00	\$	\$
Amount Outstanding	\$ 32,444.00	\$ 225,701.00	\$	\$
Date of Maturity	Open	2021		
Interest Rate	9.0 %	5.84 %	%	%
Current Year Interest	\$ 0.00	\$ 12,952.76	\$	\$
Current Year Principle	\$	\$ 8,613.52	\$	\$

Meter Deposit Balance at Test Year End

\$1,464,631.33

Meter Deposits Refunded During the Test Year

\$ 102,909.50

WATER COMPANY PLANT DESCRIPTION**WELLS**

ADWR ID Number*	Pump Horsepower	Pump Yield (gpm)	Casing Depth (Feet)	Casing Diameter (Inches)	Meter Size (inches)	Year Drilled
55-605835-(1)	200	1050	1200'	20"/16"	6"	1950
55-605837-(3)	200	500	1200'	16"/14"	8"	1966
55-605834-(4)	400	1400	1200'	16"/14"	10"	1966
55-605836-(2)	n/a	n/a	1200'	20"/16"	n/a	1950
55-625006-CG	300	1400	940+	16"	10"	1972
55-609158-PCN	300	1200	878'	16"	10"	1946

* Arizona Department of Water Resources Identification Number

OTHER WATER SOURCES

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)
QUEEN CREEK WATER COMPANY		6656.49

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
15	7	421	
20	3		
50	15		
100	2		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
200,00	1	5,000	4
300,000	1		
500,000	1		
750,000	4		

WATER COMPANY PLANT DESCRIPTION (CONTINUED)**MAINS**

Size (in inches)	Material	Length (in feet)
2		
3		
4		
5		
6		
8		
10		
12		

CUSTOMER METERS

Size (in inches)	Quantity
5/8 X 3/4	228
3/4	5041
1	189
1 1/2	16
2	44
Comp. 3	
Turbo 3	33
Comp. 4	
Tubo 4	
Comp. 6	
Tubo 6	

For the following three items, list the utility owned assets in each category.

TREATMENT EQUIPMENT:

2- CAPITAL CONTROL GAS CHLORINATOR

3- REGAL GAS CHLORINATOR

STRUCTURES:

Electric Service Enterances on Wells 1,3,4, Castlegate and Pecan Creek North

Chlorine enclosures at Main Plant and Links/Cambria Plant/Castlegate Plant/Pecan Creek North Plant.

Steel shade over pumps & electrical equipment at Main & Links/Cambria Plants/Castlegate/Pecan Creek North Plants. Chain link fences at Well #3

8' Concrete block walls @ Main Plant, Well #4, Links/Cambria, Castlegate & PCN Plants

OTHER:

COMPANY NAME: H2o, Inc

2005

WATER USE DATA SHEET BY MONTH FOR CALENDAR YEAR 2005

MONTH	NUMBER OF CUSTOMERS	GALLONS SOLD	GALLON PUMPED (Thousands)
JANUARY	4140	20,601.9	26,385.
FEBRUARY	4213	20,758.6	28,619.
MARCH	4486	24,903.4	24,418.
APRIL	4867	48,198.7	55,780.
MAY	5094	52,637.1	69,257.
JUNE	5327	90,637.9	62,735.
JULY	5435	79,872.6	89,586.
AUGUST	5607	62,124.7	74,322.
SEPTEMBER	5692	72,779.2	73,385.
OCTOBER	5801	60,588.0	63,340.
NOVEMBER	5818	60,028.3	62,484.
DECEMBER	5778	57,774.4	59,895.
TOTAL		632,090.2	690,206.

Is the Water Utility located in an ADWR Active Management Area (AMA)?☒ Yes☐ No**Does the Company have an ADWR Gallons Per Capita Per Day (GPCPD) requirement?**☒ Yes☐ No**If yes, provide the GPCPD amount:** 100**What is the level of arsenic for each well on your system.** All attached mg/l
(If more than one well, please list each separately.)**Note: If you are filing for more than one system, please provide separate data sheets for each system.**

H2O, INC.

**2005 Arsenic
Each Source Well**

ADWR#	55-605834	55-605006	55-609158
H2O ID	Well #4	Castlegate	Pecan Creek North
Quarter			
Mar-05	0.003	0.002	0.003
May-05	0.003	0.002	0.002
Jul-05	0.003		
Nov-05		0.002	0.002
AVERAGE DETECTED	0.003	0.002	0.002
MCL	0.05	0.05	0.05

COMPANY NAME H2o, Inc. YEAR ENDING 12/31/2005

PROPERTY TAXES

Amount of actual property taxes paid during Calendar Year 2005 was: \$ 52,111.45

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain why. _____

National Bank of Arizona

ACCOUNT # 0106007948

This Statement:
May 31, 2005
PAGE 2 of 2

2179891 121

2-17-05

FINAL CHECK STATEMENT \$ 22,170.38

National Bank 908-44-10101 911-837-32

Processed 05/20/05 \$22170.38 Ch# 121

10/21/2005

10/20/2005

THIS IS A LEGAL COPY of
your check. You can use it
the same way you would
use the original check.

4747

10/19/2005

PAID TO THE ORDER OF PRIMA COUNTY TREASURER

THIRTY THOUSAND FIVE HUNDRED FORTY ONE AND 07/100

PRIMA COUNTY TREASURER
P.O. BOX 799
FLORENCE, AZ 85120-0799

30,541.07

30,541.07

30,541.07

30,541.07

Check 4747, Amount \$30,541.07 Processed 10/21/2005

H2O, INC.
OPERATING ACCOUNT
41502 NORTH SCHNEPP ROAD
QUEEN CREEK, AZ 85242

HOME NATIONAL BANK
86-204/1031

4747

10/13/2005

PAY TO THE
ORDER OF PINAL COUNTY TREASURER

\$ **30,541.07

Thirty Thousand Five Hundred Forty-One and 07/100

DOLLARS

PINAL COUNTY TREASURER
P.O. BOX 729
FLORENCE, AZ 85232-0729

DOMESTIC

SERVICE

VOID AFTER 90 DAYS
COPY NOT NEGOTIABLE

MEMO

H2O, INC. / OPERATING ACCOUNT

4747

PINAL COUNTY TREASURER

10/13/2005

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/05/2005	Bill	PARCEL 104-47-038B	75.76	75.76		75.76
10/05/2005	Bill	PARCEL 104-46-061B	62.78	62.78		62.78
10/05/2005	Bill	PARCEL 104-46-077C	92.94	92.94		92.94
10/05/2005	Bill	PARCEL 908-44-44040	29,979.58	29,979.58		29,979.58
10/05/2005	Bill	PARCEL 908-44-403F2	17.14	17.14		17.14
10/05/2005	Bill	PARCEL 104-22-038B	301.89	301.89		301.89
10/05/2005	Bill	PARCEL 104-69-001F	10.98	10.98		10.98
				Check Amount		30,541.07

DOMESTIC

SERVICE

OPERATING ACCOU

30,541.07

H2O, INC. / OPERATING ACCOUNT

4747

PINAL COUNTY TREASURER

10/13/2005

Date	Type	Reference	Original Amt.	Balance Due	Discount	Payment
10/05/2005	Bill	PARCEL 104-47-038B	75.76	75.76		75.76
10/05/2005	Bill	PARCEL 104-46-061B	62.78	62.78		62.78
10/05/2005	Bill	PARCEL 104-46-077C	92.94	92.94		92.94
10/05/2005	Bill	PARCEL 908-44-44040	29,979.58	29,979.58		29,979.58
10/05/2005	Bill	PARCEL 908-44-403F2	17.14	17.14		17.14
10/05/2005	Bill	PARCEL 104-22-038B	301.89	301.89		301.89
10/05/2005	Bill	PARCEL 104-69-001F	10.98	10.98		10.98
				Check Amount		30,541.07

OPERATING ACCOU

30,541.07

Pinal County Treasurer TAX RECEIPT

PO Box 729

Florence, AZ 85232-0729

Phone: (520) 866-6412 Fax: (520) 868-9007

www.co.pinal.az.us/treasurer

e-mail: treasurer@co.pinal.az.us

Paid By: H2O INC

41502 N SCHNEPP RD

QUEEN CREEK, AZ 85242

MAIL Batch: 2178891

Payment Date: 5/18/2005

Interest Date: 5/18/2005

Printed By: TRSTAD

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
104-22-038B6	2004 Taxes	278.26		
	2004 Int/Fee	3.71		
	Paid	281.97	.00	
	Total Paid	281.97		
BEG AT N1/4 COR OF SEC 20-2S-8E; THE 198.92' TO TPOB T HE 200' OF S-283' TH W-200' TH N-283' SEC 20-2S-8E1. 30 AC				

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

MAIL Batch: 2178891
Payment Date: 5/18/2005
Interest Date: 5/18/2005
Printed By: TRSTAD

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
104-46-077C5	2004 Taxes	50.89		
	2004 Int/Fee	.67		
	Paid	51.56	.00	
	Total Paid	<u>51.56</u>		
QUEEN CREEK RANCHOS: TRACT 9.52 AC				

Pinal County Treasurer TAX RECEIPT

PO Box 729

Florence, AZ 85232-0729

Phone: (520) 866-6412 Fax: (520) 868-9007

www.co.pinal.az.us/treasurer e-mail: treasurer@co.pinal.az.us

Paid By: H2O INC

41502 N SCHNEPP RD

QUEEN CREEK, AZ 85242

MAIL Batch:

2178891

Payment Date:

5/18/2005

Interest Date:

5/18/2005

Printed By:

TRSTAD

Parcel Number	Description	Amt Pd	Balance Due	If Paid By
908-44-40404	2004 Taxes	21,550.19		
	2004 Int/Fee	287.33		
	Paid	21,837.52	.00	
	Total Paid	<u>21,837.52</u>		
TOTAL VALUE OF OPERATING PROPERTY				
104-26-139	2,580 104-46-095-B			
3,600				

**VERIFICATION
AND
SWORN STATEMENT**
Taxes

RECEIVED
APR 17 2006

VERIFICATION

STATE OF ARIZONA

**I, THE UNDERSIGNED
OF THE**

COUNTY OF (COUNTY NAME)
<u>PINAL</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>DONALD SCHNEPF</u>
COMPANY NAME
<u>H2o, Inc.</u>

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

**DO SAY THAT THIS ANNUAL UTILITY PROPERTY TAX AND SALES TAX REPORT TO THE
ARIZONA CORPORATION COMMISSION**

FOR THE YEAR ENDING


MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

**HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS,
PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY
EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND
CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE
PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY
MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE,
INFORMATION AND BELIEF.**

SWORN STATEMENT

**I HEREBY ATTEST THAT ALL PROPERTY TAXES FOR SAID COMPANY ARE CURRENT
AND PAID IN FULL.**

**I HEREBY ATTEST THAT ALL SALES TAXES FOR SAID COMPANY ARE CURRENT AND
PAID IN FULL.**



SIGNATURE OF OWNER OR OFFICIAL
480-491-6971

TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12th DAY OF



MY COMMISSION EXPIRES March 6, 2008

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>2006</u>



SIGNATURE OF NOTARY PUBLIC

COMPANY NAME H2o, Inc.

YEAR ENDING 12/31/2005

INCOME TAXES

For this reporting period, provide the following:

Federal Taxable Income Reported _____
Estimated or Actual Federal Tax Liability -0-

State Taxable Income Reported _____
Estimated or Actual State Tax Liability -0-

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances _____
Amount of Gross-Up Tax Collected _____
Total Grossed-Up Contributions/Advances _____

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

CERTIFICATION

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

SIGNATURE

DATE

PRINTED NAME

TITLE

**VERIFICATION
AND
SWORN STATEMENT
Intrastate Revenues Only**

RECEIVED

APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, **THE UNDERSIGNED**

OF THE

COUNTY OF (COUNTY NAME)
<u>PINAL</u>
NAME (OWNER OR OFFICIAL) TITLE
<u>DONALD SCHNEPF</u> <u>PRESIDENT</u>
COMPANY NAME
<u>H2o, Inc.</u>

DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION

FOR THE YEAR ENDING

MONTH	DAY	YEAR
<u>12</u>	<u>31</u>	<u>2005</u>

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2005 WAS:

Arizona Intrastate Gross Operating Revenues Only (\$)

\$ 2,615,946.56

**(THE AMOUNT IN BOX ABOVE
INCLUDES \$ 165,351.81
IN SALES TAXES BILLED, OR COLLECTED)**

****REVENUE REPORTED ON THIS PAGE MUST
INCLUDE SALES TAXES BILLED OR
COLLECTED. IF FOR ANY OTHER REASON,
THE REVENUE REPORTED ABOVE DOES NOT
AGREE WITH TOTAL OPERATING REVENUES
ELSEWHERE REPORTED, ATTACH THOSE
STATEMENTS THAT RECONCILE THE
DIFFERENCE. (EXPLAIN IN DETAIL)**

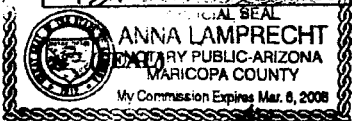
SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF


THIS

12th

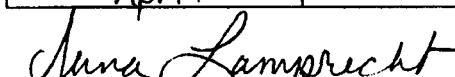
DAY OF



MY COMMISSION EXPIRES March 6, 2008


SIGNATURE OF OWNER OR OFFICIAL
480-441-6971
TELEPHONE NUMBER

COUNTY NAME	<u>Maricopa</u>	
MONTH	<u>April</u>	<u>2006</u>


SIGNATURE OF NOTARY PUBLIC

**VERIFICATION
AND
SWORN STATEMENT
RESIDENTIAL REVENUE
INTRASTATE REVENUES ONLY**

RECEIVED

APR 17 2006

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

VERIFICATION

STATE OF ARIZONA

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) PINAL	
NAME (OWNER OR OFFICIAL) DONALD SCHNEPF	TITLE PRESIDENT
COMPANY NAME H2o, Inc	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION
FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2005

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

SWORN STATEMENT

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2005 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES

\$ 1,728,821.04

(THE AMOUNT IN BOX AT LEFT
INCLUDES \$ 109,477.89
IN SALES TAXES BILLED, OR COLLECTED)

***RESIDENTIAL REVENUE REPORTED ON THIS PAGE
MUST INCLUDE SALES TAXES BILLED.**


SIGNATURE OF OWNER OR OFFICIAL

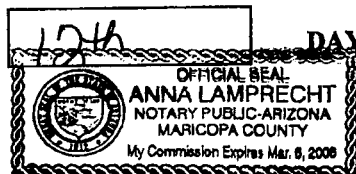
480-491-6931
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS 12th **DAY OF**

(SEAL)



MY COMMISSION EXPIRES

March 6, 2008

NOTARY PUBLIC NAME Anna Lamprecht	
COUNTY NAME Maricopa	
MONTH April	2006

X 
SIGNATURE OF NOTARY PUBLIC

Projected number of new customers to be served in each of the first five years of water utility service to the new area covered by this application.

<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Other</u>	
1st Year	0	1st Year	4	1st Year	0	1st Year	0
2nd Year	0	2nd Year	8	2nd Year	0	2nd Year	0
3rd Year	32	3rd Year	12	3rd Year	0	3rd Year	0
4th Year	152	4th Year	16	4th Year	0	4th Year	0
5th Year	252	5th Year	16	5th Year	0	5th Year	0

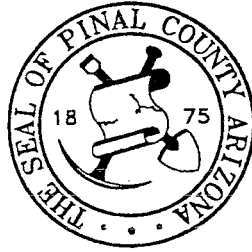
Projected annual water consumption in gallons, for each of the customer classes in the new area for each of the next five years

<u>Residential</u>		<u>Commercial</u>		<u>Industrial</u>		<u>Other</u>	
1st Year	-	1st Year	4,662,523	1st Year	-	1st Year	-
2nd Year	-	2nd Year	23,312,615	2nd Year	-	2nd Year	-
3rd Year	3,087,360	3rd Year	32,637,661	3rd Year	-	3rd Year	-
4th Year	14,664,960	4th Year	41,962,707	4th Year	-	4th Year	-
5th Year	24,312,960	5th Year	41,962,707	5th Year	-	5th Year	-

Estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application are as follows:

<u>Operating Revenues</u>		<u>Operating Expenses</u>	
1st Year	15,848	1st Year	13,471
2nd Year	63,392	2nd Year	53,883
3rd Year	170,000	3rd Year	144,500
4th Year	383,200	4th Year	325,720
5th Year	695,792	5th Year	591,423

RECEIVED JAN 15 1999



District One
Lionel D. Ruiz

District Two
Sandra "Sandie" Smith

District Three
Jimmie B. Kerr

County Manager
Stanley Griffis

Assistant to County Manager
Special Services Division
Jay Bateman

**Pinal County
Board of Supervisors**

Post Office Box 2030-Florence, Arizona 85232
Telephone (520) 868-6200 / 868-6206

January 14, 1999

Richard L. Sallquist
Sallquist & Drummond, P.C.
2525 East Arizona Biltmore Circle
Suite 117
Phoenix, AZ. 85016-2129

Subject: H2O, Inc.
Application for Renewal of
Public Utility Franchise to be
heard at 10:00 A.M. 2/17/99

Dear Mr. Sallquist:

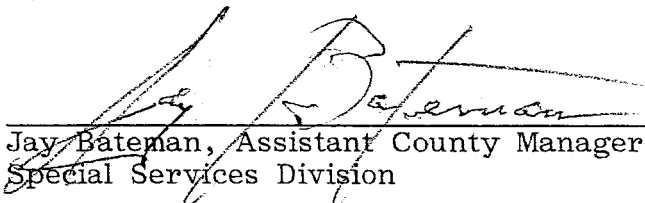
This letter acknowledges receipt of the above referenced application and encloses a copy of the Public Notice.

This letter also advises that I have added 2 sections of land to Exhibit "C": - from Exhibit "A".

Inasmuch as the "Request" is for a "Renewal" - and - Sections 3 and 4 of T3S, R8E are part of the original franchise - I completed the renewal list by adding them to said Exhibit "C" - rather than subtracting them from Exhibit "A".

If, for any reason, this causes a problem, please advise. It seemed to me that no problem should exist in view of franchises not being exclusive - and in view of service area control being with the Arizona Corporation Commission.

Very truly yours,


Jay Bateman, Assistant County Manager
Special Services Division

Enclosures: Public Notice
Map

EXHIBIT F

FILE COPY

Renewal Of The H2O, Inc. Franchise

WHEREAS, H2O, Inc. had received a domestic water franchise from Pinal County to establish and maintain domestic water services on June 4, 1973, (hereinafter "Original Franchise").

WHEREAS, H2O, Inc., a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for a renewal of the Original Franchise for the purpose of constructing, operating and maintaining domestic water lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in the Public Notice of the renewal hearing, a copy of which is attached hereto as Exhibit "A" attached hereto.

WHEREAS, upon H2O, Inc.'s filing of an application for this renewal (hereinafter "Application"), the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Application to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Application was set for 10:00 a.m. on February 17, 1999, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said Application having come on regularly for hearing at 10:00 a.m. on February 17, 1999; and it appearing from the affidavit of the publisher of the Florence Reminder-Blade Tribune that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder-Blade Tribune published on January 21, 1999, January 28, 1999, and February 4, 1999; and the matter being called for hearing at 10:00 a.m., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to renew an existing franchise under its general police powers in such matters.

NOW, THEREFORE,

Section 1: DEFINITIONS

The following terms used in this renewal of the Original Franchise shall have the following meanings:

- A. County: Pinal County, Arizona
- B. Board: Board of Supervisors of Pinal County, Arizona.
- C. Grantor: Pinal County, by and through its Board of Supervisors
- D. Grantee: H2O, Inc., a(n) Arizona corporation, its successors and assigns
- E. Grantee's Facilities: domestic water lines and related appurtenances

Section 2: GRANT

A. Grantor, on February 17, 1999, hereby grants to Grantee, for a period of twenty-five years, this renewed franchise (hereinafter "Renewed Franchise") for the purpose of constructing, operating and maintaining domestic water lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Application (hereinafter "Franchise Area").

B. Nonexclusive Franchise.

(1) The Renewed Franchise granted hereby shall not be exclusive and shall not restrict in any manner the right of County in the exercise of any regulatory power which it now has or which may hereafter be authorized or permitted by the laws of the State of Arizona. Nothing herein shall be construed to prevent County from granting other like or similar franchises to any other person, firm or corporation. County retains and shall ever be considered as having and retaining the right and power to allow and to grant to any other person, firm, corporation or other companies, franchise rights and privileges to be exercised in and upon its public streets, alleys, highways and public places, and such of the same and parts thereof as County may deem best or choose to allow, permit, give or grant.

(2) Nothing herein shall be construed to prevent County and its proper authorities from constructing and installing sewers, gutters, or improvements to its public highways, streets and alleys, and for that purpose, to require the Grantee at Grantee's own expense to remove Grantee's facilities to conform thereto and facilitate the same.

C. Reservation of Rights.

(1) County reserves the right to alter and amend the Renewed Franchise at any time and in any manner necessary for the safety or welfare of the public or to protect the public interests, and County reserves the right to impose at any time restrictions and limitations upon the use of the public streets, alleys and highways as County deems best for the public safety or welfare.

(2) County expressly reserves the right, after due notice to grantee, to modify, amend, alter, change or eliminate any of the provisions of the Renewed Franchise which may become obsolete or impractical; and to impose such additional conditions upon the grantee as may be just and reasonable, such conditions to be those deemed necessary for the purpose of insuring adequate service to the public; provided however, County shall not modify, amend, alter, change or eliminate any of said provisions until after a public hearing, if such is legally required or requested by grantee.

Section 3: RENEWAL/SUBSEQUENT APPLICATION/REMOVAL OF SYSTEM

A. The Renewed Franchise herein granted shall expire on February 17, 2024, or upon any prior forfeiture; and upon its termination, Grantee shall cease to exercise under the terms of the Renewed Franchise the privileges herein granted. In the event Grantee desires a renewal of the Renewed Franchise herein granted, or a new franchise for a subsequent period, Grantee shall apply to and open negotiations with County for that purpose at least six (6) months before the expiration of the Renewed Franchise herein granted; but nothing herein shall be construed to bind County to grant such renewal or subsequent franchise.

B. Upon termination of the Renewed Franchise, or any renewal thereof, the grantee shall remove its facilities from the streets, alleys, ways, highways and bridges within the Franchise Area and shall restore the areas to their original condition. If such removal is not completed within six months of such termination, County may deem any property not removed as having been abandoned.

Section 4: REGULATION

Grantee, its successors and assigns shall be subject to reasonable regulations for the maintenance by grantee, its successors and assigns, of such portion of the public streets, alleys and highways used for the purpose of the Renewed Franchise now in force or that may hereafter be enacted and inconsistent herewith.

Section 5: CONSTRUCTION, INSTALLATION AND REPAIRS

A. Prior to the beginning of any construction for installation of domestic water lines and related appurtenances, the Grantee, its successors and assigns will submit a plan of proposed construction to the Pinal County Engineer and will not commence any construction until the plan of construction is approved by the County Engineer or his designate.

B. All work performed by Grantee under the Renewed Franchise shall be done in the manner prescribed by County and subject to the supervision of County, and in strict compliance with all laws, ordinances, rules and regulations of federal, state and local governments.

C. No construction, reconstruction, repair, or relocation under the Renewed Franchise shall be commenced until written permits have been obtained from the proper county officials. In any permit so issued, such officials may impose such conditions and regulations as a condition of the granting of the same as are necessary for the purpose of protecting any structures in the highways or streets and for the proper restoration of such highways, streets and structures, and for the protection of the public and the continuity of pedestrian and vehicular traffic.

D. No construction under the Renewed Franchise by grantee shall impose upon County the duty to maintain any public street, alley or highway unless County accepts said public street, alley or highway into the county maintenance system as provided by law.

Section 6: INSPECTION

County shall, if it deems it necessary, have the right to inspect the construction, operation and maintenance of Grantee's facilities to insure the proper performance of the terms of the Renewed Franchise granted herein.

Section 7: SUFFICIENCY, LOCATION AND MAINTENANCE

All of Grantee's Facilities shall be in all respects adequate, efficient, substantial and permanent in design and workmanship, and shall be so located, erected and maintained so as not to interfere with the use and enjoyment of the public streets, alleys and highways. All of Grantee's Facilities erected by Grantee shall be maintained in a safe, suitable, substantial condition and in good order and repair.

Section 8: EXPANSION

Grantee will, from time to time, during the term of the Renewed Franchise make such enlargements and extensions of its domestic water system as are necessary to adequately provide for the requirements of County and the inhabitants of the Franchise Area; provided that nothing herein shall compel Grantee to expand or enlarge its system beyond the economic and operating limits thereof. Such enlargements and extensions shall be made in accordance with company rules and regulations.

Section 9: RELOCATION

A. During the term of the Renewed Franchise whenever County or any qualified authority having jurisdiction in the Franchise Area alters, repairs, improves, or changes the grade of, any public streets, alleys and highways in the Franchise Area during the term of the Renewed Franchise, then and in such event, Grantee, its successors or assigns, at its own expense, shall promptly, upon reasonable notice, make such changes in the location, structure or alignment of its domestic water lines and related appurtenances as the public officials in charge of such work may deem necessary.

B. After thirty (30) days notice to Grantee, of needed changes or corrections and upon the failure of Grantee, to make such changes set forth in Section 9(A) above or to correct any damage to the right-of-way of any public street, alley or highway within the Franchise Area caused directly or indirectly by Grantee, its agents, successors or assigns, County or its successors shall have the right to make such changes or corrections at the expense of said Grantee, its successors or assigns, and

such expenses shall be due and payable upon written demand by County or its successors to Grantee, its successors or assigns.

Section 10: LIABILITY

A. If any streets, highways, alleys, ways, bridges, sidewalks, public place, or other public facility should be disturbed, altered, damaged or destroyed by Grantee, its employees, contractors, subcontractors or agents in the construction, installation, operation and maintenance of Grantee's Facilities under the Renewed Franchise, the same shall be promptly repaired, reconstructed, replaced or restored by Grantee, without cost to County, as soon as practicable and in as good condition as before Grantee's entry and to the satisfaction of County. If Grantee fails to make such restoration and repairs within a reasonable time as determined by County, then County may fix a reasonable time for such restoration and repairs and shall notify Grantee in writing of the restoration and repairs required and the time fixed for the performance thereof. Upon failure of Grantee to comply within the time specified, County may cause proper restoration and repairs to be made, and the expense of such work shall be paid by Grantee upon demand by County.

B. Grantee shall be responsible to every owner of property which shall be injured by the work of construction, installation, operation or maintenance of Grantee's Facilities under the Renewed Franchise, all physical damage which shall be done to such injured property through any act or omission of Grantee, its employees, contractors, subcontractors or agents arising out of said construction, installation, operation or maintenance.

C. It is a condition of the Renewed Franchise that County shall not and does not by reason of the Renewed Franchise assume any liability of the Grantee whatsoever for injury to persons or damage to property.

Section 11: INDEMNIFICATION

Grantee by its acceptance of the Renewed Franchise agrees for itself, its successors and assigns that throughout the entire term of this franchise, Grantee, its successors and assigns, at its sole cost and expense, shall indemnify, defend, save and hold harmless Pinal County, its elected officers, employees and agents from any and all lawsuits, judgments and claims for injury, death and damage to persons and property, both real and personal, caused by the construction, design, installation, operation or maintenance of any structure, equipment, domestic water lines or related appurtenances by Grantee within the Franchise Area. Indemnified expenses shall include, but not be limited to, litigation and arbitration expenses, and attorneys' fees.

Section 12: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Renewed Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Renewed Franchise is accepted by County. This Renewed Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

Section 13: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Renewed Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Renewed Franchise accepts the validity of the terms and conditions of the Renewed Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Renewed Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

B. Grantee by accepting the Renewed Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Renewed Franchise not expressed therein. Grantee by its acceptance of the Renewed Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Renewed Franchise.

C. Grantee by its acceptance of the Renewed Franchise further acknowledges that it has carefully read the terms and conditions of the Renewed Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.

D. In case of conflict or ambiguity between the Renewed Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.

E. The Board's decision concerning its selection and awarding of the Renewed Franchise shall be final.

Section 14: FAILURE TO ENFORCE FRANCHISE

Grantee shall not be excused from complying with any of the terms and conditions of the Renewed Franchise by any failure of County, upon any one or more occasions, to insist upon the Grantee's performance or to seek Grantee's compliance with any one or more of such terms or conditions.

Section 15: COMPLIANCE WITH THE LAW

Grantee shall at all times, conduct its business under the Renewed Franchise in accordance with all federal, state and local laws, rules and regulations, as amended, including any future amendments thereto as may, from time to time, be adopted.

Section 16: INTERPRETATION/GOVERNING LAW

The interpretation and performance of the Renewed Franchise and of the general terms and conditions shall be in accordance with and governed by the laws of the State of Arizona.

Section 17: VENUE

Exclusive venue for any legal action to enforce the provisions, terms and conditions of the Renewed Franchise shall be the Superior Court of the State of Arizona in and for the County of Pinal, Florence, Arizona..

Section 18: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Renewed Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Renewed Franchise, all of which will remain in full force and effect for the term of the Renewed Franchise or any renewal or renewals thereof.

Section 19: FORFEITURE

A. If Grantee fails to comply with any of the provisions of this agreement or defaults in any of its obligations hereunder, except for causes beyond the reasonable control of Grantee; and shall fail within thirty (30) days after written notice from County to commence, and within a reasonable time, complete the correction of such default or noncompliance, County shall have the right to revoke this agreement and all rights of Grantee hereunder. In the event Grantee makes a general assignment or general arrangement for the benefit of creditors; or a trustee or receiver is appointed to take possession of substantially all of Grantee's Facilities within the Franchise Area or of Grantee's interest in this Renewed Franchise, where possession is not restored to Grantee within thirty (30) days; or Grantee's Facilities within the Franchise Area are subject to an attachment, execution or other seizure of substantially all of the Grantee's Facilities within the Franchise Area or this Renewed Franchise, where such seizure is not discharged within thirty (30) days, County may declare the Renewed Franchise, along with the Original Franchise, forfeited and terminated.

B. Nothing herein contained shall limit or restrict any other legal rights that County may possess arising from such violations.

Section 20: REVOCATION OF FRANCHISE

The Renewed Franchise, along with the Original Franchise, may after due notice and hearing, be revoked by County for any of the following reasons:

- A. For false or misleading statements in, or material omissions from the application for and the hearing for the granting of the Renewed Franchise.
- B. For any transfer or assignment of the Renewed Franchise or control thereof without County's written consent.
- C. For failure to comply with any of the terms and conditions of the Renewed Franchise.

Section 21: ASSIGNMENT/TRANSFER

Grantee shall not assign or transfer any interest in the Renewed Franchise without the prior written consent of County. Said Board shall not unreasonably withhold its consent to a proposed transfer.

Section 22: NOTICE

Notices required under the Renewed Franchise shall be delivered or sent by certified mail, postage prepaid to:

Grantor:

Clerk of the Pinal County Board of Supervisors
P.O. Box 827
31 N. Pinal
Florence, Arizona 85232

Grantee:

H2O, Inc.
P.O. Box 40340
Mesa, AZ 85274

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

Section 23: REMEDIES

Rights and remedies reserved to the parties by the Renewed Franchise are cumulative and shall be in addition to and not in derogation of any other rights or remedies which the parties may have with respect to the subject matter of the Renewed Franchise and a waiver thereof at any time shall not affect any other time.

Section 24: RIGHT OF INTERVENTION

County hereby reserves to itself, and Grantee hereby grants to County, the right to intervene in any suit, action or proceeding involving any provision in the Renewed Franchise.

Section 25: BOOKS AND RECORDS

Grantee shall maintain books and records that identify all of Grantee's underground facilities by type and location within the Franchise Area. Grantee will make such books and records available to County upon County's request and without cost to County.

Section 26: AD VALOREM TAXES

Grantee shall pay its ad valorem taxes before they become delinquent. To accomplish this, Grantee shall deposit a sum equal to one-half of the prior years taxes in a separate trust account to pay the current years taxes. Pinal County, through its agents shall have the right to audit the account at any time during normal business hours.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on February 17, 1999.

PINAL COUNTY BOARD OF SUPERVISORS

Sandie Smith, Chairman

ATTEST:

Stanley D. Griffis, Ph.D., Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON
PINAL COUNTY ATTORNEY

Eric L. Walberg, Deputy County Attorney

ACCEPTANCE OF RENEWED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, H2O, Inc., a(n) Arizona corporation, does hereby accept the February 17, 1999 grant of a Renewed Franchise from Pinal County, Arizona, to construct, operate, and maintain domestic water lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Renewed Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Renewed Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Renewed Franchise recited to have been or to be made by Grantee.

Dated this 17 day of FEBRUARY, 1999.

H2O, Inc.

By: [Signature]

Title: President

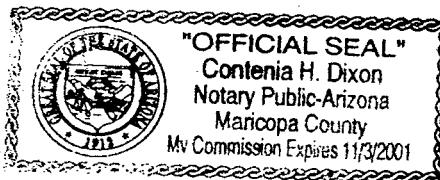
STATE OF ARIZONA)
) ss.
County of)

The foregoing instrument was acknowledged before me this 17th day of February, 19 99, by Gerald Schrey President of H2O, INC., a(n) Arizona corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

[Signature]
Notary Public

My Commission Expires:

Nov 3, 2001



PUBLIC NOTICE

H2O, INC

DOMESTIC WATER FRANCHISE RENEWAL

The Pinal County Board of Supervisors hereby gives notice
- that it will conduct a Public Hearing in the Board
Hearing Room - County Administration Building No. One,
Florence, Arizona at 10:00 O'clock A.M. on the 17th day of
February, 1999 to hear any affected persons for or against
the renewal of the Domestic Water Franchise being requested
by the H2O, Inc. - covering :

Sections 7, 8, 9, 10, 15, 16, 17, 18, 19, 20,
28, 29, 30, 31, 32 and 33 of T2S, R8E, and

All of Sections 3, 4, 5, 6, 7, and 8 of T3S
R8E. G&SRB&m, Pinal County, Arizona.

Notice is further given that: no prevailing objections or
good cause arising, the Board of Supervisors intends to
grant the requested franchise.

S/Stanley D. Griffis
Stanley D. Griffis, County Manager

Publish: Florence Reminder-Blade Tribune
January 21, 28, Feb. 4, 1999

ARIZONA CORPORATION COMMISSION UTILITIES DIVISION

1200 WEST WASHINGTON - PHOENIX, ARIZONA 85007
(602) 542-4251 or 1-800-222-7000

EXTENSION AGREEMENT WATER USE DATE SHEET

Extension Agreement with: _____

Company Name: 408-491-6971

H2O, INC
41502 N SCHNEPF RD
QUEEN CREEK, AZ 85242

Number of Proposed Customers: 10 Projected Peak Usage (Domestic GPD): 4,500

NUMBER OF CUSTOMERS BY MONTH FOR THE LAST 12 MONTHS	YEAR			TOTAL GALLONS SOLD PER MONTH FOR THE LAST 12 MONTHS*	YEAR		
	2005	2006	2007		2005	2006	2007
JANUARY	4140	5785	6762	JANUARY	20,601.9	59,805.4	59,485.9
FEBRUARY	4213	5833		FEBRUARY	20,768.6	51,247.6	
MARCH	4486	5818		MARCH	24,903.4	49,829.6	
APRIL	4867	5739		APRIL	48,198.7	68,513.0	
MAY	5094	6000		MAY	52,637.1	80,492.1	
JUNE	5327	6084		JUNE	90,637.9	108,959.7	
JULY	5435	6180		JULY	79,872.6	103,769.7	
AUGUST	5607	6324		AUGUST	62,124.7	74,451.7	
SEPTEMBER	5692	6407		SEPTEMBER	72,779.2	72,167.7	
OCTOBER	5801	6488		OCTOBER	60,588.0	65,570.4	
NOVEMBER	5818	6548		NOVEMBER	60,028.3	82,749.3	
DECEMBER	5778	6668		DECEMBER	57,774.4	50,455.4	

WELL PUMP CAPACITY (GPM)**

GPM WELL #1	GPM WELL #3	GPM WELL #2	GPM WELL #4
1050 POE-001 (Supplement)	650+ POE-001 (Supplement)	N/A POE-001 (Future)	1,500 POE-001 (Primary)
** 55-605835	** 55-605837	** 55-605834	** 55-605834
GPM CASTLEGATE WELL	GPM PECAN CREEK NORTH		
1200 POE-002	1200 POE-003		
** 55-625006	** 55-609158		

***STORAGE CAPACITY (GALLONS): 4,920,000 (1,500,000 UNDER CONSTRUCTION)

BOOSTER PUMP CAPACITY (GPM)

GPM BOOSTER	GPM BOOSTER	GPM BOOSTER	GPM BOOSTER
190 #1 (15-HP) Main	190 #2 (15-HP) Main	190 #3 (15-HP) Main	190 #4 (15-HP) Main
800 #5 (50-HP) Main	800 #6 (50-HP) Main	800 #7 (50-HP) Main	1,000 #8 (100-HP) Main
190 #1 (15-HP) Links A	190 #2 (15-HP) Links A	190 #3 (15-HP) Links A	1,000 #7 (100 HP) Links A
300 #4 (20-HP) Links B	300 #5 (20-HP) Links B	300 #6 (20-HP) Links B	800 VFD-1 (50-HP) CG
800 VFD-2 (50-HP) CG	800 VFD-3 (50-HP) CG	800 SS-4 (50-HP) CG	800 SS-5 (50-HP) CG
800 SS-6 (50-HP) CG	800 VFD-1 (50-HP) PCN	800 VFD-2 (50-HP) PCN	800 VFD-3 (50-HP) PCN
800 VFD-4 (50-HP) PCN	800 VFD-5 (50-HP) PNC	800 VFD-6 (50-HP) PCN	

Will additional well capacity be needed as a result of the agreement? _____ YES X NO

Will new booster stations be necessary to serve the proposed addition? _____ YES X NO

* Reported in 10₃ gallons

** ADWR designation

*** Includes ground storage

\\H2O\Taylor Rch\ACC Wtr Use.doc
Rev: 2/20/2007 4:32 PM

EXHIBIT I

1 PUBLIC NOTICE OF FILING OF APPLICATION FOR AN
2 EXTENSION OF ITS CERTIFICATE OF CONVENIENCE AND NECESSITY
3 BY H2O, INC.

4 H2O, Inc. (the "Company"), has filed with the Arizona Corporation Commission
5 ("Commission") an application for a Certificate of Convenience and Necessity ("CC&N") to
6 provide water service. Our records indicate that you are either currently a customer of the Company
7 or a property owner in the proposed extension area. If the application is granted the Company
8 would be the exclusive provider of water service to the proposed area. The Company will be
9 required by the Commission to provide these services under the rates and charges and terms and
10 conditions established by the Commission. The granting of the application would not necessarily
11 prohibit an individual from providing service to themselves from individually-owned facilities on
12 their property. The application is available for inspection during regular business hours at the
13 offices of the Commission in Phoenix at 1200 W. Washington Street, and at the Company's offices
14 in Salome, Arizona.

15 The Commission will hold a hearing on this matter. As a property owner you may have the
16 right to intervene in the proceeding. If you do not want to intervene, you may appear at the hearing
17 and make a statement on your own behalf. You may contact the Commission at the address and
18 telephone number listed below for the date and time of the hearing and for more information on
19 intervention. You may not receive any further notice of the proceeding unless requested by you.

20 If you have any questions or concerns about this application or have any objections to its
21 approval, or wish to make a statement in support of it, you may write the Consumer Services
22 Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-
23 800-222-7000 or appear at the hearing and make comment.

EXHIBIT J

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RECEIVED

2007 OCT -5 P 12:39

RICHARD L. SALLQUIST

AZ CORP COMMISSION
PHONE (480) 839-5202
FACSIMILE (480) 346-0412
E-MAIL dick@sd-law.com

October 5, 2007

HAND DELIVERY

Shauna Lee-Rice
Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

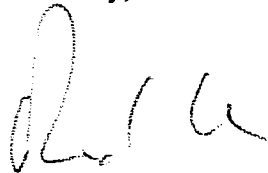
Re: H2O Inc.; Docket No. W-02234A-07-0371; Late filed Exhibit

Dear Ms. Lee Rice:

In the Subject Application we indicated in Attachment A, Paragraph M (2), that we would file the Arizona Department of Environmental Quality Approval to Construct as a late filed exhibit. Attached hereto please find fifteen (15) copies of that ATC.

Please call in the event you have any questions.

Sincerely,



Richard L. Sallquist
For the Firm

Enclosures

cc: Del Smith
Lyn Farmer
Brian Bozzo
Vicki Wallace
Don Schnepf



ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY
CERTIFICATE OF APPROVAL TO CONSTRUCT
WATER FACILITIES


Page 1 Of 1

ADEQ File No: 20070687	LTF No: 45596
System Name: H2O Water Company, Inc.	System Number: 11060
Project Owner: H2O Water, Inc.	
Address: 41502 N. Schnepf Road, Queen Creek, AZ 85240	
Project Location: Queen Creek	County: Pinal
Description: INSTALL 15,100 LF OF 12" WATER LINE TO SERVE J.O. COMBS EDUCATIONAL VILLAGE IN QUEEN CREEK, PINAL COUNTY.	

Approval to construct the above-described facilities as represented in the approved documents on file with the Arizona Department of Environmental Quality is hereby given subject to provisions 1 through 4 continued on page 1 through 1

1. This project must be constructed in accordance with all applicable laws, including Title 49, Chapter 2, Article 9 of the Arizona Revised Statutes and Title 18, Chapter 5, Article 5 of the Arizona Administrative Code.
2. Upon completion of construction, the engineer shall fill out the Engineer's Certificate of Completion and forward it to the Central Regional Office located in Phoenix. If all requirements have been completed, that unit will issue a Certificate of Approval of Construction. R18-5-507(B), Ariz. Admin. Code. At the project owner's request, the Department may conduct the final inspection required pursuant to R18-5-507(B); such a request must be made in writing in accordance with the time requirements of R18-5-507(C), Ariz. Admin. Code.
3. This certificate will be void if construction has not started within one year after the Certificate of Approval to Construct is issued, there is a halt in construction of more than one year, or construction is not completed within three years of the approval date. Upon receipt of a written request for an extension of time, the Department may grant an extension of time; an extension of time must be in writing. R18-5-505(E), Ariz. Admin. Code.
4. Operation of a newly constructed facility shall not begin until a Certificate of Approval of Construction has been issued by the Department. R18-5-507(A), Ariz. Admin. Code.

Reviewed by: DB11

By: 
Kwame A. Agyare, P.E.
Manager, Drinking Water and
Wastewater Engineering Review
Water Quality Division

10/1/07
Date

cc: File No: 20070687
Regional Office: Central
Owner: H2O Water, Inc.
County Health Department: Pinal
Engineer: Hubbard Engineering
Planning and Zoning/Az Corp. Commission
Engineering Review Database - Etr021

LATE FILED EXHIBIT G

MEMORANDUM

EXHIBIT

A-2
Admitted

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells
Information Technology Specialist
Utilities Division

THRU: Del Smith
Engineering Supervisor
Utilities Division

DATE: July 17, 2007

RE: **H₂O, INC. (DOCKET NO. W-02234A-07-0371)**

The area requested by H₂O for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

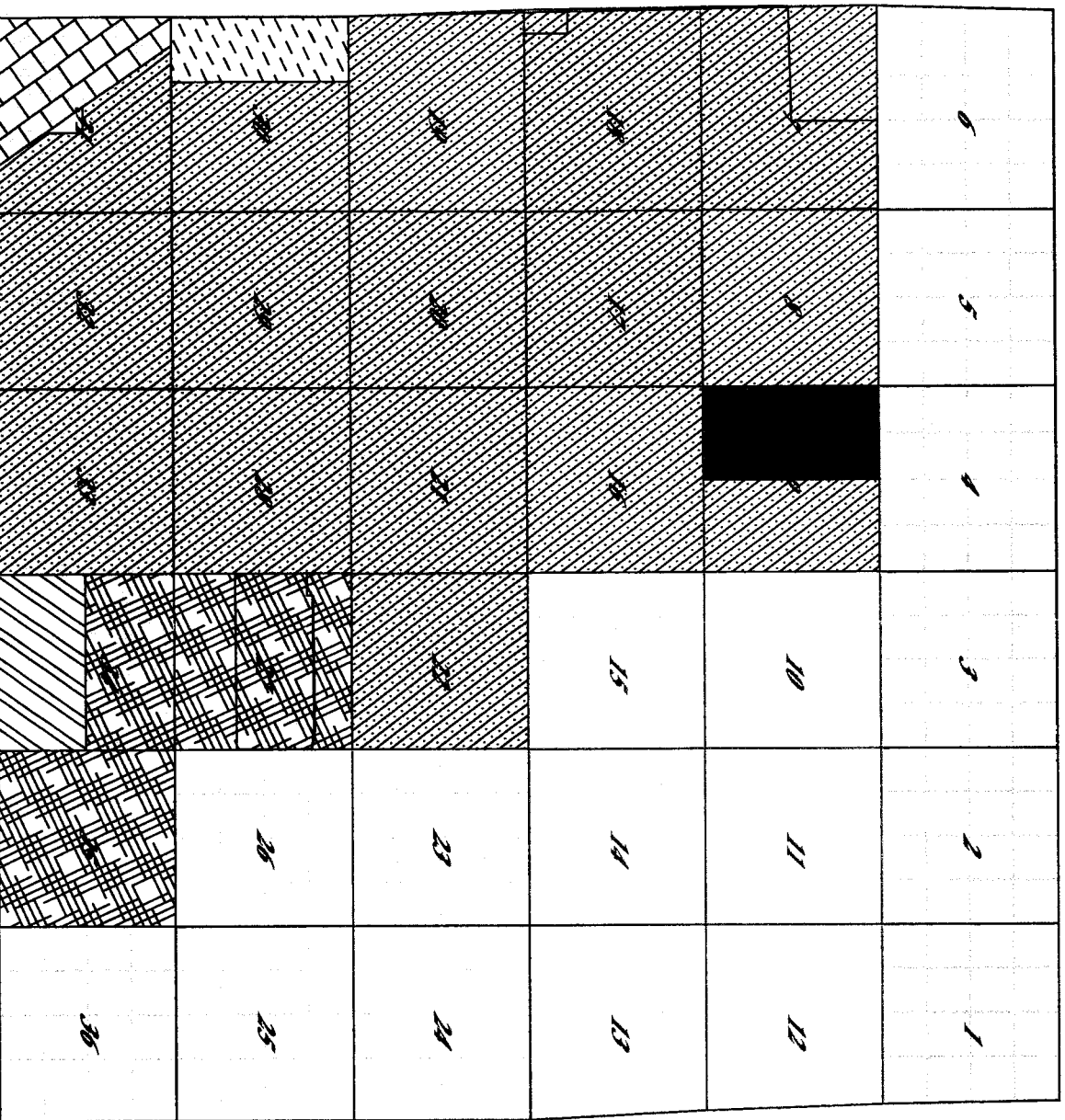
:bsw

Attachments

cc: Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COUNTY: Pinal

RANGE 8 East



TOWNSHIP 2 South



WS-2987 (6)

Sewer



W-2859 (3)

Diversified Water Utilities, Inc.



W-2234 (2)

H₂O, Inc.



W-1395 (2)

Queen Creek Water Company



W-2425 (2)

Sun Valley Farms Unit VI Water Company



(1)

H₂O, Inc.

Docket No. W-02234A-07-0371
Application for Extension

Johnson Utilities, LLC
Docket No. WS-02987A-07-0203
Application to Cancel Water & Sewer CC&Ns
(To Town of Florence)

LEGAL DESCRIPTION

The West one-half of Section 9, Township 2 South, Range 8
East of the G&SRB&M, Pinal County, Arizona

43032.00000.215

EXHIBIT B

SALLQUIST, DRUMMOND & O'CONNOR, P.C.

ATTORNEYS AT LAW
TEMPE OFFICE
4500 S. LAKESHORE DRIVE
SUITE 339
TEMPE, ARIZONA 85282

RICHARD L. SALLQUIST

PHONE (480) 839-5202
FACSIMILE (480) 345-0412
E-MAIL dick@sd-law.com

December 17, 2007

Shauna Lee-Rice
Arizona Corporation Commission
Docket Control
1200 West Washington Street
Phoenix, Arizona 85007

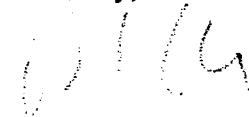
Re: H2O Inc.; Docket No. W-02234A-07-0371; Compliance Filing

Dear Ms. Lee-Rice:

Attached please find the original and fifteen (15) copies of the Affidavit of Publication as required in the October 30, 2007 Procedural Order in the Subject Docket.

In the event you have any questions regarding this matter, please do not hesitate to call the undersigned.

Sincerely,



Richard L. Sallquist
For the Firm

cc: Hearing Division
Legal Division
Utilities Division
Don Schnepf

STATE OF ARIZONA
COUNTY OF PINAL

SS.

PUBLIC NOTICE OF THE HEARING
FOR H2O, INC. FOR AN EXTENSION
OF ITS CERTIFICATE OF
CONVENIENCE AND NECESSITY
(DOCKET NO. W-02234A-07-0371).

On June 15, 2007, H2O, Inc. ("Company") filed an application for an extension of its Certificate of Convenience and Necessity to provide public water and wastewater utility service to various parts of Pinal County, Arizona.

The application is available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona and at the Applicant's office, 41502 North Schnepf Road, Queen Creek, Arizona 85242 and on the internet via the Commission website (www.azcc.gov) using the e-docket function.

The Commission will hold a hearing on this matter commencing on January 17, 2008 at 9:30 a.m., at the Commission's offices, 1200 West Washington Street, Phoenix, Arizona. Public comments will be taken on the first day of the hearing.

The law provides for an open public hearing at which, under appropriate circumstances, interested parties may intervene. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written motion to intervene with the Commission, which motion should be sent to Applicant or its counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.

2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of Applicant, a shareholder of Applicant, a competitor, etc.).

3. A statement certifying that a copy of the motion to intervene has been mailed to the Applicant or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before December 14, 2007. The granting of intervention, among other things, entitles a party to present sworn evidence at hearing and to cross-examine other witnesses. However, failure to intervene will not preclude any customer from appearing at the hearing and making a statement on such customer's own behalf.

If you have any questions or concerns about this application or have any objections to its approval, or wish to make a statement in support of it, you may write the Consumer Services Section of the Commission at 1200 West Washington Street, Phoenix, Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make comment.

The Commission does not discriminate on the basis of disability in admission to its public meetings. Persons with a disability may request a reasonable accommodation such as a sign language interpreter, as well as request this document in an alternative format, by contacting Linda Hogan, ADA Coordinator, voice phone number 602/542-3931, E-mail lhogan@azcc.gov. Requests should be made early as possible to allow time to arrange the accommodation.

No. of publications: 1; date of publication: Nov. 22, 2007.

Affidavit of Publication

DONOVAN M. KRAMER SR.

first being duly sworn

deposes and says: That he is a native born citizen of the United States of America, over 21 years of age, that he is publisher of the Florence Reminder and Blade-Tribune, a weekly newspaper published at Florence, Pinal County, Arizona, on Thursday of each week; that a notice, a full, true and complete printed copy of which is hereunto attached, was printed in the regular edition of said newspaper, and not in a supplement thereto, for

ONE consecutive issues the first publication thereof having been on the 22ND

day of NOVEMBER A.D., 2007

Second publication

Third publication

Fourth publication

Fifth publication

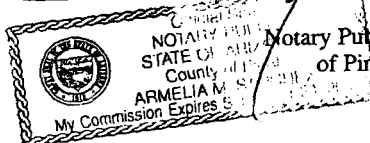
Sixth publication

FLORENCE REMINDER AND BLADE-TRIBUNE

By Donovan M. Kramer Sr. PK
DONOVAN M. KRAMER SR., Publisher

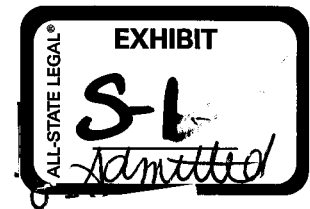
Sworn to before me this 3rd

day of December 2007



Notary Public in and for the County of Pinal, State of Arizona

ORIGINAL



MEMORANDUM

RECEIVED

30

TO: Docket Control

NOV 30 A 9 38

FROM: Ernest G. Johnson
Director
Utilities Division

AS PER DOCKET NO.
DOCKET CONTROL

DATE: November 30, 2007

RE: STAFF REPORT FOR H2O, INC. - APPLICATION FOR EXTENSION OF
CERTIFICATE OF CONVENIENCE AND NECESSITY FOR WATER SERVICE
(DOCKET NO. W-02234A-07-0371)

Attached is the Staff Report for H2O, Inc.'s application for extension of its existing Certificate of Convenience and Necessity for water service. Staff is recommending approval with conditions.

EGJ:BNC:kdh

Originator: Blessing Chukwu

Arizona Corporation Commission
DOCKETED

NOV 30 2007

DOCKETED BY	nr
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Service List for: H2O, Inc.
Docket No. W-02234A-07-0371

Mr. Richard Sallquist
Sallquist, Drummond & O'Connor
4500 South Lakeshore Dr., Suite 339
Tempe, Arizona 85282

Mr. Christopher C. Kempley
Chief, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

STAFF REPORT
UTILITIES DIVISION
ARIZONA CORPORATION COMMISSION

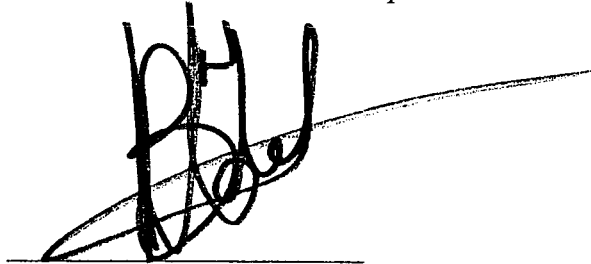
H2O, INC.
DOCKET NO. W-02234A-07-0371

APPLICATION FOR EXTENSION
OF EXISTING CERTIFICATE OF
CONVENIENCE AND NECESSITY

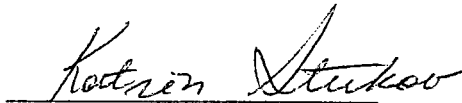
NOVEMBER 30, 2007

STAFF ACKNOWLEDGMENT

The Staff Report for H2O, Inc. (Docket No. W-02234A-07-0371) was the responsibility of the Staff members signed below. Blessing Chukwu was responsible for the review and analysis of the Company's application. Katrin Stukov was responsible for the engineering and technical analysis.

A stylized, handwritten signature in black ink, appearing to be 'B. Chukwu', written over a horizontal line.

Blessing Chukwu
Executive Consultant

A handwritten signature in black ink, appearing to be 'Katrin Stukov', written over a horizontal line.

Katrin Stukov
Utilities Engineer

**EXECUTIVE SUMMARY
H2O, INC.
DOCKET NO. W-02234A-07-0371**

On June 15, 2007, H2O, Inc. ("H2O" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Pinal County, Arizona. On October 24, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the Arizona Administrative Code ("A.A.C.").

By this application, H2O is seeking Commission authority to add approximately 360 acres to the Company's existing certificated area of approximately 11,640 acres located in both Pinal and Maricopa Counties. The requested service area is adjacent to the Company's existing certificated area and includes Arizona State Trust Land located south of Germann Road between Kenworthy Road and Coyote Road in the west half of Section 9, Township 2 South, Range 8 East. According to the Company, the requested area consists of two parcels and will be developed as J.O. Combs Academic Village (a 90-acre three school sites) and a Residential area of 270 acres with 527 lots.

Based on Staff's review and analysis of the application, Staff believes that H2O's existing water system has adequate production and storage capacity to serve the existing CC&N area and can reasonably be expected to develop additional production and infrastructure as required within a conventional five year period.

Staff recommends the Commission approve H2O's application for an extension of its CC&N within portions of Pinal County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require H2O to charge its authorized rates and charges in the extension area.
2. To require H2O to file with Docket Control as a compliance item in this docket, copies of Certificate of Assured Water Supply issued by Arizona Department of Water Resources for the water plant additions needed to serve the Residential Area Parcel in requested area, within two years of the effective date of the final decision in this application.
3. To require H2O to file with Docket Control, as a compliance item in this docket, copies of the Arizona Department of Environmental Quality ATCs for facilities needed to serve the requested areas within two years of the effective date of an order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to H2O be considered null and void after due process should H2O fail to meet Conditions No. 2, and 3 listed above within the time specified.

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Introduction

On June 15, 2007, H2O, Inc. ("H2O" or "Company") filed an application with the Arizona Corporation Commission ("ACC" or "Commission") for an extension of its Certificate of Convenience and Necessity ("CC&N") to provide water service in Pinal County, Arizona.

On July 13, 2007, the ACC Utilities Division ("Staff") filed an Insufficiency Letter, indicating that the Company's application did not meet the sufficiency requirements of Arizona Administrative Code ("A.A.C.") R14-2-402(C). A copy of the Insufficiency Letter was sent to the Company via U.S. mail. In the Letter, Staff listed the deficiencies that needed to be cured for administrative purposes.

On September 24, 2007, the Company provided additional documentation to support its relief requested.

On October 24, 2007, Staff filed a Sufficiency Letter indicating that the application had met the sufficiency requirements of the A.A.C.

Background

H2O, Inc. is an Arizona Corporation, in good standing with the Commission's Corporation Division, authorized to provide water utility services in the vicinity of Queen Creek, Pinal County, Arizona pursuant to authority granted by the Commission in Decision No. 43476 (July 16, 1973), as amended by Decision Nos. 54766 (November 16, 1985); 63960 (September 4, 2001); and 64062 (October 4, 2001). H2O provides service to approximately 6,668 customers.

According to Corporation Division's record, H2O was incorporated on October 5, 1972. H2O's Officers are Mr. Donald L. Schnepf (the President/CEO) and Mr. Darel W. Schnepf (the Secretary and Treasurer). Both Mr. Donald L. Schnepf and Mr. Darel W. Schnepf are the Directors.

According to the Company's Annual Report for the year ending December 31, 2006, the Company is serving approximately 6,668 customers. The Company reported an annual revenue of \$3,080,389.82, expenses of \$3,067,435.33, and a net profit of \$26,406.53. H2O reported \$207,958.05 in long-term debt as being outstanding.

By this application, H2O is seeking Commission authority to add approximately 360 acres to the Company's existing certificated area of approximately 11,640 acres located in both Pinal and Maricopa Counties. The requested service area is adjacent to the Company's existing certificated area and includes Arizona State Trust Land located south of Germann Road between Kenworthy Road and Coyote Road in the west half of Section 9, Township 2 South, Range 8 East. According to the Company, the requested area consists of two parcels and will be developed as J.O. Combs Academic Village (a 90-acre three school sites) and a Residential area of 270 acres with 527 lots.

The Water System

H2O has four wells with the combined production capacity of 4,950 gallons per minute ("GPM"), eight storage tanks with the combined storage capacity of 4.9 million gallons, and a distribution system serving 6,668 service connections as of December 31, 2006. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 13,200 connections at the end of five years. The Company has predicted an additional 268 connections for the proposed CC&N extension area at the end of five years, resulting in a projected total customer base of approximately 13,500 at the end of five years. Based on the existing well production and storage capacities, the system can serve approximately 9,550 service connections (governed by production capacity). The Company also reported that it is constructing three additional wells with the combined production capacity of 4,500 GPM. With the planned addition of these wells, the system could serve over 18,000 service connections (governed by production capacity).

Staff concludes that the existing water system has adequate production and storage capacity to serve the existing CC&N area and can reasonably be expected to develop additional production and infrastructure as required within a conventional five year period.

In response to Staff's July 13, 2007 Insufficiency Letter, the Company submitted an "Engineer's Report and Infrastructure Analysis" prepared by Bartholomew Engineering, Inc. for the H2O water system (the "Report"), which outlined the water system analysis, the proposed water distribution system description, and costs at a total estimated cost of \$897,241.

The summary of the infrastructure pipelines and their estimated costs follows:

Area	Piping Size (inches)	Piping Length (feet)	Unit Cost	Cost
School Campus	12	13,953	\$ 32.33	\$ 451,100
Residential	8	11,532	\$ 22.61	\$ 260,739
Residential	6	10,798	\$ 17.17	\$ 185,402
			Total:	\$ 897,241

H2O is proposing to extend its water system into the requested areas by extension of its distribution facilities contemplated by the Report and financed using advances in aid of construction pursuant to Main Extension Agreements to be entered into between H2O and the developers.

The Company submitted a copy of the Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval to Construct ("ATC") for the proposed plant additions to the H2O water system that will be needed to serve the J.O. Combs Academic Village Parcel in the requested area¹. However, the Company has not yet obtained the ATC for the proposed plant

¹ Per H2O submittal dated October 5, 2007.

additions to the H2O water system that will be needed to serve the Residential Area Parcel in the requested area. Therefore, Staff recommends that the Company file with Docket Control, as a compliance item in this docket, copies of the ADEQ ATCs for facilities needed to serve the requested areas within two years of the effective date of an order in this proceeding.

Arizona Department of Environmental Quality ("ADEQ") Compliance

ADEQ regulates the water system under ADEQ Public Water System I.D. #11-060. Based on a Compliance Status Report, dated September 7, 2007, the system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Arizona Department of Water Resources ("ADWR") Compliance

H2O is located within the Pinal Active Management Area ("AMA"), as designated by ADWR. ADWR has indicated that the Company is in compliance with the Pinal AMA reporting and conservation requirements.²

Staff recommends that the Company be required to file with Docket Control, as a compliance item in this docket, copies of Certificate of Assured Water Supply issued by ADWR for the water plant additions needed to serve the Residential Area Parcel in requested area, within two years of the effective date of the final decision and order issued pursuant to this application.

ACC Compliance

According to the Utilities Division Compliance Section, H2O has no outstanding ACC compliance issues.³

Arsenic and Other Water Quality Issues

The U.S. Environmental Protection Agency ("EPA") has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 micrograms per liter ("µg/l") or parts per billion ("ppb") to 10 µg/l. The Company reported that the arsenic level of its four wells was less than 3 ppb. Based on these levels, the water system is in compliance with the new arsenic MCL.

Curtailment Plan Tariff

H2O has an approved curtailment tariff for its system.

² Per ADWR Compliance status check on October 4, 2007

³ Per ACC Compliance status check dated October 24, 2007.

Proposed Rates

H2O will provide water service to the extension area under its authorized rates and charges.

Franchise

Every applicant for a CC&N and/or CC&N extension is required to submit to the Commission evidence showing that the applicant has received the required consent, franchise or permit from the proper authority. If the applicant operates in an unincorporated area, the company has to obtain the franchise from the County. If the applicant operates in an incorporated area of the County, the applicant has to obtain the franchise from the City/Town.

H2O has filed, in the docket, a copy of the franchise agreement from Pinal County for the requested area.

Recommendations

Staff recommends the Commission approve H2O's application for an extension of its CC&N within portions of Pinal County, Arizona, to provide water service, subject to compliance with the following conditions:

1. To require H2O to charge its authorized rates and charges in the extension area.
2. To require H2O to file with Docket Control as a compliance item in this docket, copies of Certificate of Assured Water Supply issued by ADWR for the water plant additions needed to serve the Residential Area Parcel in requested area, within two years of the effective date of the final decision in this application.
3. To require H2O to file with Docket Control, as a compliance item in this docket, copies of the ADEQ ATCs for facilities needed to serve the requested areas within two years of the effective date of an order in this proceeding.

Staff further recommends that the Commission's Decision granting the requested CC&N extension to H2O be considered null and void after due process should H2O fail to meet Conditions No. 2, and 3 listed above within the time specified.

MEMORANDUM

DATE: October 29, 2007

TO: Blessing Chukwu
Executive Consultant III

FROM: Katrin Stukov
Utilities Engineer *KS*

RE: H2O, INC. DOCKET NO. W-02234A-07-0371 (CC&N EXTENSION)

Introduction

H2O, Inc. ("Company" or "H2O") has applied to extend its Certificate of Convenience and Necessity ("CC&N") to provide water service. The requested service area will add an additional 360 acres immediately adjacent to the Company's existing 11,640 acres located in Queen Creek, Pinal County. The requested service area includes Arizona State Land located south of Germann Road between Kenworthy Road and Coyote Road in the west half of Section 9, Township 2S, Range 8E. The Company described the proposed 360 acres as two parcels which will be developed as:

1. J.O. Combs Academic Village - 90 acres (three school sites)
2. Residential area - 270 acres (527 lots)

Capacity

Existing Utility Plant

According to water use data and H2O source & storage data , the Company has four wells with the combined production capacity of 4,950 gallons per minute ("GPM"), eight storage tanks with the combined storage capacity of 4.9 million gallons, and a distribution system serving 6,668 service connections as of December 31, 2006. Based on historical growth rates, it is anticipated that the existing service area could grow to approximately 13,200 connections at the end of five years. The Company has predicted an additional 268 connections for the proposed CC&N extension area at the end of five years, resulting in a projected total customer base of approximately 13,500 at the end of five years. Based on the existing well production and storage capacities, the system can serve approximately 9,550 service connections (governed by production capacity). The Company also reported that it is constructing 3 additional wells with the combined production capacity of 4,500 GPM. With the planned addition of these wells, the system could serve over 18,000 service connections (governed by production capacity).

Based upon the above information, Staff concludes that the existing water system has adequate production and storage capacity to serve the existing CC&N area and can reasonably be expected to develop additional production and infrastructure as required within a conventional five year period.

Proposed Plant Facilities

In response to Staff's requests, the Company submitted an Engineer's Report and Infrastructure Analysis prepared by Bartholomew Engineering, Inc. for the H2O water system (the "Report"), which outlined the water system analysis, the proposed water distribution system description and costs at a total estimated cost of \$ 897,241.

The summary of the infrastructure pipelines and their estimated costs follow:

Area	Piping Size (inches)	Piping Length (feet)	Unit Cost	Cost
School Campus	12	13,953	\$ 32.33	\$ 451,100
Residential	8	11,532	\$ 22.61	\$ 260,739
Residential	6	10,798	\$ 17.17	\$ 185,402
			Total:	\$ 897,241

The Company is proposing to extend its water system into the requested areas by extension of its distribution facilities contemplated by the Report and financed using advances in aid of construction pursuant to Main Extension Agreements to be entered into between H2O and the developers.

Arizona Department of Environmental Quality ("ADEQ") Compliance

Compliance Status

ADEQ regulates the water system under ADEQ Public Water System I.D. #11-060. Based on a Compliance Status Report, dated September 7, 2007, the system has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, and Chapter 4.

Certificate of Approval to Construct for the J.O. Combs Academic Village Parcel

The Company submitted a copy of the ADEQ Certificate of Approval to Construct ("ATC") for the proposed plant additions to the H2O water system that will be needed to serve the J.O. Combs Academic Village Parcel in the requested area¹.

¹ Per H2O submittal dated October 5, 2007.

Certificate of Approval to Construct for the Residential Area Parcel

The Company has not yet obtained the ADEQ Certificate of Approval to Construct ("ATC") for the proposed plant additions to the H2O water system that will be needed to serve the Residential Area Parcel in the requested area.

Arsenic

The U.S. Environmental Protection Agency has reduced the arsenic maximum contaminant level ("MCL") in drinking water from 50 parts per billion ("ppb") to 10 ppb. The Company reported that arsenic level was less than 3 ppb at all four wells. Based on these levels, the water system is in compliance with the new arsenic MCL.

Arizona Department of Water Resources ("ADWR") Compliance

Compliance Status

The Company is located in Pinal Active Management Area ("AMA") and is in compliance with its reporting and conservation requirements².

Certificate of Assured Water Supply ("CAWS")

The CAWS for the requested areas have not been submitted by the Company.

Arizona Corporation Commission Compliance

A check with the Utilities Division Compliance Section showed no delinquent compliance issues for the Company.³

Curtailment Plan Tariff

The Company has an approved Curtailment Plan Tariff for its system.

Summary

Conclusions

1. Staff concludes that H2O's existing water system has adequate production and storage capacity to serve the existing CC&N area and can reasonably be expected to develop additional production, and infrastructure for the proposed CC&N extension area as required.

² Per ADWR Compliance status check on October 4, 2007

³ Per ACC Compliance status check dated October 24, 2007.

2. Based on ADEQ compliance report submitted by the Company, the H2O has no deficiencies and ADEQ has determined that this system is currently delivering water that meets water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.
3. Based on arsenic concentrations provided, the H2O water system is in compliance with the new arsenic standard.
4. The Company is located in Pinal Active Management Area and is in compliance with its reporting and conservation requirements.
5. A check with the Utilities Division Compliance Section showed no delinquent compliance issues for the Company.
6. The Company has not yet received a copy of the ADEQ's ATC for the water plant additions needed to serve the Residential Area Parcel in requested area.
7. The Company has not yet received a copy of the ADWR's CAWS for the respective parcels in requested area.
8. The Company has an approved Curtailment Plan Tariff for its system.

Recommendations

1. Staff recommends that the Company file with Docket Control, as a compliance item in the same docket, copies of ATCs issued by ADEQ for the water plant additions needed to serve the Residential Area Parcel in requested area, within two years after the effective date of the decision in this case.
2. Staff recommends that the Company file with Docket Control, as a compliance item in the same docket, copies the ADWR's CAWS related to this CC&N extension, within two years after the effective date of the decision in this case.

MEMORANDUM

TO: Blessing Chukwu
Executive Consultant III
Utilities Division

FROM: Barb Wells *bw*
Information Technology Specialist
Utilities Division

THRU: Del Smith *DS*
Engineering Supervisor
Utilities Division

DATE: July 17, 2007

RE: **H₂O, INC. (DOCKET NO. W-02234A-07-0371)**

The area requested by H₂O for an extension has been plotted with no complications using the legal description provided with the application (a copy of which is attached).

Also attached is a copy of the map for your files.

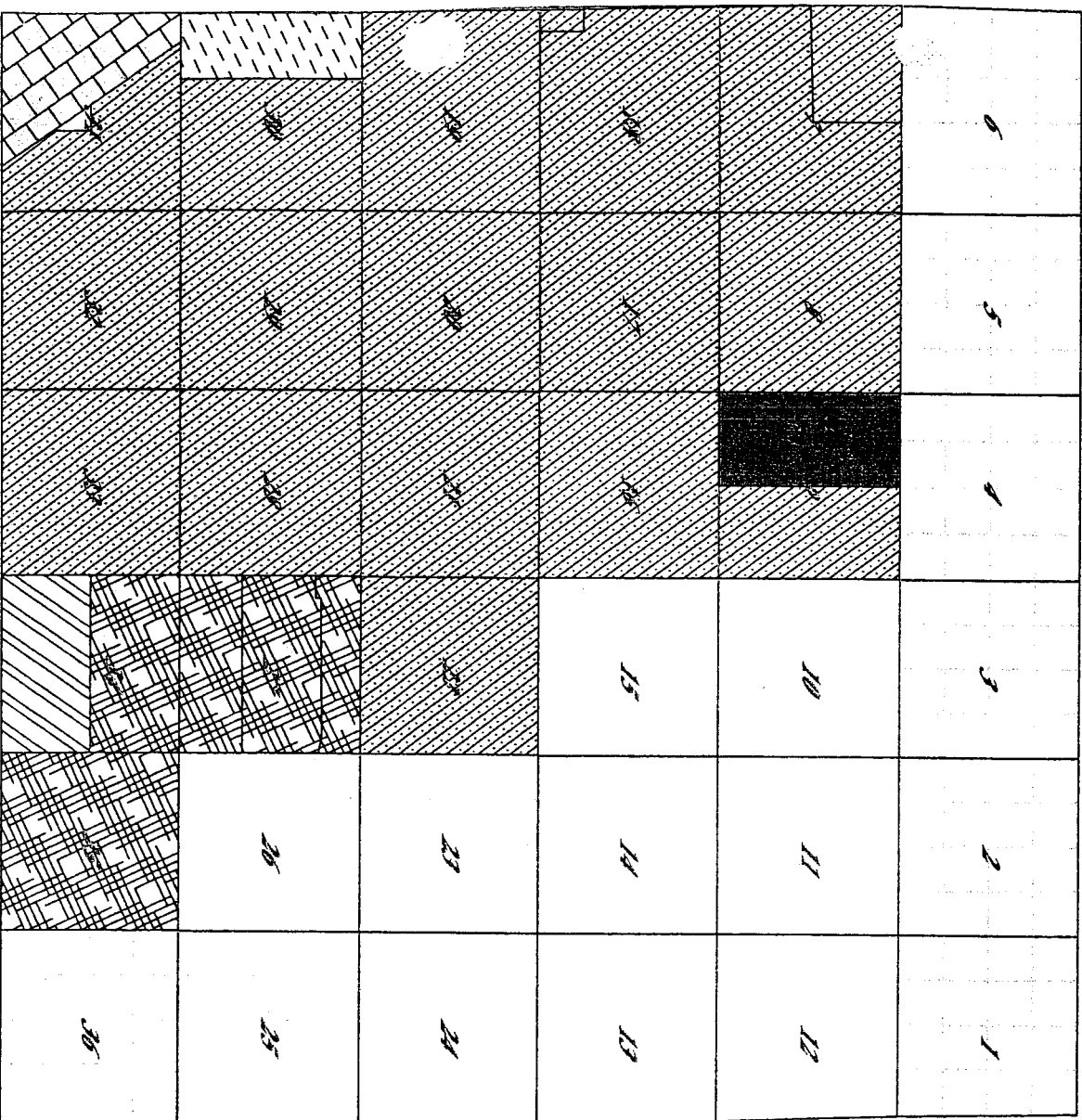
:bsw

Attachments

cc: Mr. Richard Sallquist
Ms. Deb Person (Hand Carried)
File

COCONINO COUNTY Pinal

RANGE 8 East



TOWNSHIP 2 South



WS-2987 (6)



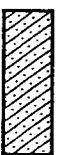
Sewer



Johnson Utilities Company

W-2859 (3)

Diversified Water Utilities, Inc.



W-2234 (2)

H₂O, Inc.



W-1395 (2)

Queen Creek Water Company



W-2425 (2)

Sun Valley Farms Unit VI Water Company



(1)

H₂O, Inc.

Docket No. W-02234A-07-0371

Application for Extension

Johnson Utilities, LLC

Docket No. WS-02987A-07-0203

Application to Cancel Water & Sewer CC&Ns

(To Town of Florence)

LEGAL DESCRIPTION

The West one-half of Section 9, Township 2 South, Range 8
East of the G&SRB&M, Pinal County, Arizona

43032.00000.215

EXHIBIT B